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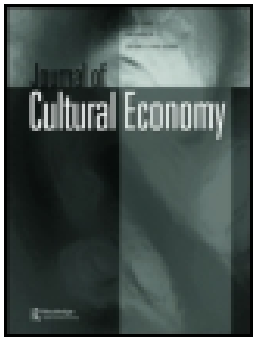
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Optimising 'cash flows': converting corporate finance to hard currency

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ABSTRACT

Following recent works that have underlined the increasing search for liquidity in economic exchange, this article studies how illiquid forms of money are converted into liquid forms by corporate finance actors. In the name of 'shareholder value', the various forms of value generated by companies (such as 'trade credit') tend to be increasingly transformed into liquid forms of money that are easily distributable to shareholders ('cash flows'). Describing this phenomenon as an example of what anthropologists of money call 'conversion', this paper highlights how such a conversion process was necessary for the historical development of 'shareholder value' policies in corporate finance. Considering documentary sources and interviews with consultants, auditors, and private equity fund managers involved in 'cash flow' optimisation practices, this paper details this conversion phenomenon and shows how it has relied on the historical elaboration of specific metrological, technical, legal, and moral norms.

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Anthropology of money; cash flows; monetary conversion; corporate finance; shareholder value

Introduction

On the 6th May 2015, five chief financial officers (CFOs) of large companies, consultancy firm partners, and investment fund presidents, gathered in a luxurious seminar venue in Paris' business district in front of a select audience of corporate managers for a conference entitled, 'The Promise of EBITDA [Earnings Before Interests, Taxes, Depreciation, and Amortization] Conversion into Cash: Let's Share Our Best Practices!' – promoting what the speakers would refer to throughout the discussion as 'cash culture'.

The event implicitly aimed to promote the expertise of its organiser, the consultancy firm Flow Consulting, which specialises in the sale of its 'Cash Package', a consulting product designed to help client companies 'generate cash' by acting on their internal organisation and their external environment. They do so, for example, by incentivising clients of the company to pay back their debt earlier, by making the company pay its own debts later, or by identifying 'superfluous' capital used by workers in production and liquidating it.

At the end of the introductory talk, one of the speakers at the conference raised his hand and made an unexpected remark, expressing a surprisingly moral discourse:

In the heart of this ceremony glorifying cash – and in the end I'm sure everyone is going to get out of here happy, with its set of best practices – there are nevertheless violent tensions around cash between clients and suppliers [...] I have lived this situation more frequently on the supplier side than on the large company's one: it's disgusting to see the absolute contempt that [sic] ... It puts SMBs [small and medium businesses] in such terrible financial troubles!

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Opposing the general spirit of the event, he advocated more moderation in the application of ‘cash culture’ and condemned the selfishness of companies practicing such ‘cash’ optimisation policies. After he had finished, the Flow Consulting partner took back the microphone and responded in a justifying tone that despite some excessive behaviour, the optimisation of ‘cash flows’ remains ‘a crucial driver of [shareholder] value creation for companies’.

Innocuous as they may seem, these Flow Consulting consultants nevertheless participate in an important monetary trend: by promoting ‘cash flow’ optimisation practices as part of a focus on ‘shareholder value’, they encourage corporate finance actors to focus on the most liquid forms of corporate money, that is, ‘cash flows’. In doing so, they strengthen the emphasis that has been put on the ‘store of wealth’ function of money by contemporary financial actors, a search for liquidity that Amato and Fantacci (2011) consider responsible for the 2008 financial crisis. However, as the first minutes of the Flow Consulting conference show, such a conversion to liquidity is far from simple: in order to be effective, it has to be imposed on corporate actors through numerous metrological and management devices, and consultants thus advocate the use of incentive devices, ‘KPIs’ (key performance indicators), and reporting methods. In addition, monetary conversion practices often have to cope with moral concerns: the conversion to liquidity involves the elaboration of new moral norms for companies’ monetary practices.

Focusing on the practices of ‘cash flow’ optimisation in the world of corporate finance, this article aims to identify the norms that enable this movement of conversion to liquid, shareholder-friendly forms of money to take place. It is structured as follows. The following sub-sections of the introduction provide the reader with vernacular and theoretical definitions useful for understanding the main argument of the paper, along with the argument itself. This introduction is followed by a short overview of the shift towards liquidity in corporate finance and the actors involved in this shift. Next come sections on the socio-technical roots of this shift and the moral foundations of the focus on ‘cash’. Finally, I will discuss these findings and elaborate on how to better understand the monetary cogs at work in the recent increase in shareholder returns.

Vernacular definitions

First, it is important to clarify the vernacular meaning (for corporate finance actors, as defined in my interviews and in many practitioners’ documents, such as audit firm PwC’s ‘cash accelerator’ booklet (PwC 2009)) of concepts such as ‘cash’ or ‘cash flow’ optimisation. When they talk about ‘cash’, Flow Consulting consultants are not referring to coins or wads of banknotes, but to the accounting concept of ‘cash flows’. The ‘cash flow’ formulation designates the portion of a company’s value that can be immediately extracted in the form of common currency (euros, dollars, pounds), for instance, because the value is located in the company’s bank account as virtual money. Thus, the ‘cash’ concept here refers to the virtual money that is directly and immediately available to a company for their expenses, such as paying ‘cash’ for new machines or paying dividends to shareholders, most of which are in fact done through bank transfers.

It is also necessary to clarify what ‘optimising’ means in the case of ‘cash flows’. The optimisation of ‘cash flows’ should be distinguished from the optimisation of profit: ‘cash flows’ and profit are distinct concepts in corporate finance vocabulary. When a firm sells a product at a price higher than its production cost, it realises a profit and increases its earnings. However, the company doesn’t necessarily receive ‘cash flows’ from this, as the client can delay paying for the product by getting credit from the selling firm. Reciprocally, a company can increase its stock of ‘cash’ while in deficit from an earnings perspective: for instance, when a company sells a branch at a loss against ‘cash’, it decreases its earnings, but increases its stock of ‘cash’ by receiving new ‘cash flows’ from the sale. Therefore, contrary to the optimisation of profit, the optimisation of ‘cash flows’ does not require new lines of production, new products, or new innovative investments.

According to the vocabulary of corporate finance, ‘cash’ optimisation practices are achieved through the transformation of the various forms of value held by companies into ‘cash flows’. As

a result of their daily economic activities, companies own many forms of non-cash stocks of value. For instance, when they sell products to clients, companies can exchange the product against immediate ‘cash’ or against a temporary acknowledgement of debt (‘trade credit’). Consequently, they own debt claims over their business partners. Companies can ask for the liquidation of the various stocks of debt they own, such as trade debt acknowledgements, in order to obtain liquid money (i.e. to convert them into ‘cash’) and to be able to finance their activities.

Therefore, ‘cash flow’ optimisation practices aim to convert companies’ financial holdings into ‘cash’ by affecting credit relationships between firms and their business partners. For instance, new ‘cash’ management practices involve an increased use of credit in the payment of a company’s suppliers and a decrease in the debit provided to a company’s clients in order to convert a maximum amount of the firm’s ‘trade credit’ into ‘cash’. These practices, promoted by the ‘shareholder value’ movement, allow companies to increase their stock of available ‘cash’, without having to change their productive operations or increase their profitability.

Theoretical definitions

This article aims to understand ‘cash flow’ optimisation practices by relating them to the anthropological opposition between ‘hard’ and ‘soft currency’. Used to refer to the difference between liquid national currencies with a strong ‘store of wealth’ function (such as the euro or dollar) and more volatile national currencies, the distinction between ‘hard’ and ‘soft currency’ has also been applied by anthropologists of money to the various forms of money existing within each of those contexts. In this approach, the ‘soft currency’ concept refers to a form of money whose value is local, used exclusively as a means of exchange in a particular trade circuit, with a strong volatility in its ‘store of wealth’ function through time, and low liquidity (for instance, among the Tiv in West Africa, the use of brass rods: Bohannan 1955, Guyer 2004, 2012). The ‘hard currency’ concept, on the other hand, designates money whose value is well-established and that can be used as a means of exchange within a particular trade circuit, but also as a store of wealth outside this circuit (in the Tiv example above: Western monies and the Nigerian naira).

I intend to apply the distinction between ‘soft’ and ‘hard currency’ to the contemporary financial world and in particular to corporate finance. There are numerous monies in the financial world, as is clear from Ingham’s (2009) definition of money as a social relation of credit, a belief in the ability and willingness of the issuer of a debt to repay it. Indeed, this debt can take the form of formal bonds, but also of any kind of enforceable contract, implicit or explicit. From this perspective, the ‘unit of account’ dimension of money (‘money of account’ in Keynes 1971) has to be distinguished from particular monetary forms that underlie credit relations. Despite the fact that it relies on the same ‘money of account’, the financial system of a single monetary area usually includes various forms of money: ‘hard’, liquid forms of money such as ‘cash’ (monetary base and current accounts, called M1 by economists), and also ‘softer’, less liquid monies (that economists would call M2 and M3), such as credit or derivative contracts (whose monetary dimension has been emphasised by Bryan and Rafferty 2007). Therefore, the various forms of money exchanged in the financial world, even if they are expressed in the same unit of account (euro, dollar, pound), can be situated hierarchically according to their characteristics, from the most illiquid and ‘soft’ kinds of money (derivative contract, credit) to the most liquid and ‘hard’ (banking deposits of certain national currencies used as international reserve currencies).

However, social scientists have also noticed that the opposition between ‘soft’ and ‘hard currency’ is not stable through time, as the most liquid or ‘hard’ forms of money have tended to spread historically at the expense of ‘soft currencies’. Indeed, since Bohannan’s (1959) article on the effects of the replacement of local ‘soft currency’ in the Tiv economy with ‘hard’ colonial currencies, numerous works have evidenced how the most liquid forms of money have spread quantitatively in modern societies, even as the diversity of other money forms persists (see, for instance, Ferguson 2002, Guyer 2012). This trend has been particularly strong in the financial world: the ‘hardest’ forms of

money have tightened their grasp on financial exchanges during the last four decades, as financial actors have been increasingly involved in the search for liquidity (as has been highlighted, for instance, by Orléan 1999, Amato and Fantacci 2011).

This article considers ‘cash flow’ optimisation practices as a particular example, in the world of corporate finance, of the overall trend towards ‘hard currency’. Indeed, corporate finance actors usually store the company’s value in various monetary forms, including both ‘hard’ (i.e. ‘cash flows’) and ‘soft currencies’ (e.g. short-term ‘trade credit’ or other forms of medium- and long-term credit between companies or between a company and its consumers). Other examples of ‘soft currencies’ can be found in corporate finance (e.g. contracts and shares held by companies), but as the conversion of these seems to follow different logics and is not sufficiently documented by my empirical fieldwork, this article focuses exclusively on the specific conversion interface between corporate credit and ‘cash flows’ (Table 1).

Historically, the movement of ‘hard currency’ expansion in corporate finance has coincided with the emergence of the shareholder value movement, aiming to transform the various forms of value held by companies into wealth distributable to shareholders (Fligstein 2001, Lazonick 2008). By defining shareholder wealth as a target, the shareholder value movement has influenced corporate finance’s monetary practices: it has prompted corporate finance actors to focus on the ‘hardest’, most liquid forms of money, which are the easiest to distribute to shareholders (for instance, through share buybacks or the payment of dividends). In particular, the shareholder value movement has encouraged corporate finance actors to focus on the maximisation of companies’ ‘cash flows’ (following what Jensen (1986) called the ‘free cash flow hypothesis’).

Thus, this article aims to study how, in the wake of the shareholder value movement, a new interface of conversion between ‘soft currencies’ (which this article limits to ‘trade credit’ and other kinds of corporate credit) and ‘hard currency’ (i.e. ‘cash flows’) has been built in the world of corporate finance.

Argument of the article

This article aims to highlight some of the factors that enabled the historical movement of ‘hard currency’ expansion to take place in corporate finance. In order to do so, it uses the concept of conversion elaborated by anthropologists – as opposed to the concept of conveyance – and it refers to the transformation of a form of money embedded in specific exchange circuits into another form of money inserted in alternative exchange circuits (in the Tiv economy, for instance, the exchange of monies allowing people to buy subsistence goods against monies allowing them to buy prestige goods, as in Bohannan 1959). In particular, as monetary circuits are embedded in various kinds of norms (as shown by Zelizer 1994, Guyer 2004), the elaboration of such an interface of monetary conversion requires the elaboration of metrological, technical, legal, and moral norms to support this conversion. Therefore, the first contribution of this article consists of describing the shift to ‘cash’ in corporate finance as an instance of monetary conversion and identifying the norms that enabled this conversion to happen.

The second contribution of the article provides an alternative explanation of the shareholder value movement at the microsocial level, by describing the monetary transformations that allow corporate managers to distribute more wealth to shareholders. Numerous works have identified some of the macrosocial causes of this movement, which has led to an increase in the share of overall economic output distributed to shareholders since the 1970s; these include works focusing on

Table 1. Identifying hard and soft currencies in corporate finance.

| | Anthropological definition | Forms of money in corporate finance |
|---------------|--|--|
| Hard currency | Liquid monetary form, with a stable ‘store of wealth’ function | ‘Cash flows’ |
| Soft currency | Illiquid monetary form, with a volatile ‘store of wealth’ function | ‘Trade credit’ and other medium- and long-term forms of corporate credit |

institutional (Fligstein 2001), financial (Lazonick 2008), intellectual (Shin 2013), and rhetorical (Lordon 2000) factors. However, none describe the relationship between the shareholder value phenomenon and changes in the circuits and meaning of money. Yet the distribution of wealth to shareholders has required just such a monetary conversion process: when it wants to pay dividends or share buybacks, a company has to use very specific forms of money (excluding, for instance, debt acknowledgements resulting from ‘trade credit’).

The growing focus on ‘cash’ in corporate finance is closely related to its position in the ‘hierarchy of monies’ (Minsky 1986, Wray 1990, Bell 2001). ‘Cash flow’, as a form of ‘hard money’, is close to forms of money located at the top of the monetary hierarchy, and individuals use such money as a risk-free store of wealth – that is to say state (coins, banknotes) and bank (deposits) monies. Therefore, the attention drawn by ‘cash flows’ in the context of shareholder value promotion is closely imbricated into the institutional construction and perpetuation of this monetary hierarchy over time, and in particular the construction of stores of wealth by states and central banks (as in Desan 2014).

Beyond the position of ‘cash’ at the top of the monetary hierarchy, the commensurability between ‘soft’ and ‘hard monies’ (as opposed to Bohannon’s (1959) insulated ‘spheres of exchange’) relies on the use of a common ‘money of account’ (Keynes 1971) – euro, dollar, pound – in a single monetary area, despite the diversity of monetary forms used in each monetary area. Those ‘monies of account’ make it easier to convert corporate ‘soft currencies’ into ‘cash’: within a single monetary area, social actors do not have to convert their ‘soft currencies’ on the international currency market, and the uncertainty regarding the overall conversion rate between ‘soft’ and ‘hard currencies’ is therefore reduced. The use of the same unit of account for ‘soft currencies’ and ‘cash’ does not abolish the need for monetary conversion (as other material, technical, metrological, legal, and moral conversion processes are involved) but shortens the conversion path. Here again the construction of such ‘monies of account’ is performed by institutions across longer historical timespans.

This article aims to complement the historical, macrosocial literature focusing on the construction of ‘monies of account’ and the interactions between the various levels of monetary hierarchy within modern capitalism (Wray 1990, Bell 2001, Ferguson 2002, Amato and Fantacci 2011, Desan 2014), by adopting an alternative theoretical and methodological approach. In particular, focusing on the microsocial level and the contemporary period, it details how specific monetary circuits from the world of corporate finance have been transformed so as to enable companies to convert their ‘soft currencies’ into ‘cash’, that is to say, potential shareholder wealth implicitly guaranteed by the state.

In order to do so, this paper describes the norms involved in the conversion of corporate finance’s ‘soft currencies’ into ‘cash flows’ and how these norms have been elaborated. First, it details the history of the opposition between ‘soft’ and ‘hard’ monies in corporate finance, the social actors involved in this history and the phenomenon of conversion to ‘cash’ with an empirical example (Section 1). Then, the article focuses on the construction of the metrological, technical, and legal norms enabling the conversion of ‘soft currencies’ into ‘hard’ (Section 2). Finally, it considers the moral dimension of this conversion process: it shows how the building of a conversion interface has involved a redefinition of the moral meanings associated with corporate finance’s various forms of money and the legitimization of liquidity seeking practices under the influence of the shareholder value paradigm (Section 3).

Empirical material

This article relies on numerous corporate finance texts related to the issue of ‘cash’ optimisation, in particular within the shareholder value movement; this includes books, handbooks, magazines, and journal articles written by the actors in the shareholder value movement. To select appropriate documents, I looked for representative texts from shareholder value founders (such as Michael Jensen, Alfred Rappaport, or Joel Stern) that evoke the issue of ‘trade credit’ or ‘cash’ management. This

material is useful to describe the monetary practices of actors involved in the transformation of corporate finance's monies into 'hard currency' distributable to shareholders. I also used documents (such as reports, notes, newsletters) published by contemporary 'cash' management actors, such as corporate finance consultancy firms (such as KPMG, PwC, or other companies like Flow Consulting) related to the optimisation of 'cash flows'. This contemporary documentary material was complemented by the analysis of a small set of famous corporate finance handbooks from the pre-'shareholder value' period (before the 1970s) and historical articles related to the history of 'trade credit' and 'cash' management.

This paper also relies on 26 interviews (each 30 minutes to 1 hour) with European corporate finance actors (merger and acquisitions advisors, 'cash management' and audit consultants, such as Flow Consulting consultants, and private equity managers involved in the buyout and restructuring of companies), most of them in France. I also attended conferences and seminars related to 'cash flow' optimisation that were similar to the Flow Consulting one discussed above. Although not directly drawn on here, I also undertook 22 weeks of participant observation in private equity funds, including nine weeks in a leveraged buyout (LBO) private equity fund (see Sections 2 and 3 for more details about this kind of actor). Interviewees were selected because of their involvement in both 'shareholder value' extraction and corporate 'cash' management. Approximately half of them were identified because of their involvement in organisations well known for their 'cash' optimisation practices; the other half were found through a snowballing method. Of these 26 interviews, 14 were carried out as exploratory interviews related to the role of the 'cash' concept in corporate valuation and in the value extraction process, and 12 focused specifically on the historical, technical, and moral aspects of 'cash' optimisation practices. Most of the interview fragments quoted in this article were extracted from the latter set of interviews. These excerpts were selected because of their potential to highlight important conversion mechanisms in clear and not too technical language.

In order to analyse this empirical material, I used an interpretative methodology relying on sociological concepts. Corporate finance actors often have a naïve, non-sociological vision of money: even if they acknowledge the monetary nature of 'cash flows', 'trade credit', or other corporate finance stores of wealth, they do not perceive them as distinct forms of money. During the interviews, these diverse forms of money were frequently reduced to neutral 'euros' or 'pounds'. This article is based on a sociological interpretation of discourses, and it is mindful of the distinction between the various forms of money that arise from the social norms underlying monetary practices.

Section 1: Overview of the ethnographic setting

This section details the historical context of 'soft' and 'hard currency' and the actors involved in the conversion to liquidity in corporate finance; it then illustrates this conversion phenomenon with an empirical example.

History of 'soft' and 'hard currency' in corporate finance

'Soft currency' is quantitatively significant in the balance sheets and financing of companies in industrialised countries. For instance, 'trade credit' (i.e. the use of business partners' short-term commercial credit to pay for some products) amounts to 30% of the external funding of non-financial companies in France and the United Kingdom and 15% of such funding in the US (Cuñat and Garcia-Appendini 2012). As a consequence, companies also hold significant amounts of value in the form of 'soft currencies' – around 15% of firms' total assets in countries like the US, UK, and France, according to Cuñat and Garcia-Appendini (2012). The importance of 'soft currencies' for companies' balance sheets is greater still when alternative forms of corporate credit (such as medium- and long-term credit) are taken into account on top of 'trade credit'. However, since the nineteenth century, the use of such 'soft currencies' has decreased. Indeed, corporate funding has been

increasingly concentrated in specialised banking and financial institutions (for a literature review on the history of trade credit, see Lemerrier and Zalc (2012)). As a consequence, corporate finance actors tend to replace the ‘soft’ forms of money they hold, provided by inter-company financial exchanges, with ‘cash’ provided by banks and financial actors.

Who are the contemporary actors responsible for this conversion to liquidity? First, conversion to ‘cash’ results from corporate finance policies developed at the level of companies’ corporate finance departments. These ‘cash’ management policies are elaborated by actors who are directly involved in the outlining of companies’ financial policies, such as CFOs and investment fund managers (in particular those involved in the ‘leveraged buyout’ revolution, such as US investors Carl Icahn, Henry Kravis, and the European Electronica interviewee; see below). These policies are also elaborated by actors who have an indirect influence on the practices of corporate finance, such as consultants (for instance, Flow Consulting consultants) or academic scholars (finance, economics, or management scholars).

After their development, these monetary conversion practices are then spread by such actors along companies’ chains of command. Indeed, the optimisation of ‘cash flows’ requires specific actions by many of the firms’ employees outside the finance department. As one interviewee (a consultant in ‘cash management’) said:

Most operational employees are involved [in ‘cash’ optimisation policies], that is to say that during 10, 20% of their daily working life they will have to take into account the issue of cash.

For instance, salespeople and purchasing managers may be required to negotiate their terms of payment with clients and suppliers differently in order to get more ‘cash’. As a consequence, conversion policies from corporate finance departments also rely on the practices of other kinds of employees (from middle-level executives to cashiers and factory workers), whose participation is required in order to generate more ‘cash flows’. While this article focuses empirically on actors located in or around companies’ corporate finance departments, it also deals with the way these corporate finance managers seek to influence the monetary practices of their employees by promoting new methods of ‘cash’ management all along the corporate chain of command.

Illustration of ‘cash flow’ optimisation practices

In order to make the argument in this work more concrete, I intend to apply the theoretical framework I have described above to an empirical example: the Electronica case. This case was described to me in an interview with a fund manager who had participated in the buyout and restructuring of the company (using the mechanism of the ‘leveraged buyout’ considered in greater depth in Sections 2 and 3). Electronica is a retail company that distributes electronic components (chips, computer processors, etc.) to industrial customers (factories, datacentres, etc.). In the interview, the fund manager described why and how he applied what he called a ‘cash flow approach’ to Electronica:

- Fund manager: For us, the major issue was to work more on cash flows in order to reduce debt and generate cash to acquire other companies. [...] So in the distribution sector, your cash flow is above all [negatively determined by] your working capital, and to release some of your working capital, you have to develop a fine knowledge of your clients’ terms of payments, of how you manage your stocks and ...
- Question: Wait, when you say that your cash flow is your working capital, what do you ...
- Fund manager: Yeah, actually for a distributor, working capital [i.e. the amount of money retained in ‘trade credit’ and inventories] is an essential part of ... I mean, this is a sector with a very low profitability: when we arrived, [profitability] was at 4% of sales, when we left it was at 5% ... So it’s almost nothing. [But] working capital was around 20%, 25% of sales, so each time you decrease your working capital by 1 or 2 points, you generate ... Out of 10 billion euros [of sales], you generate a lot of free cash flow.

This extract illustrates a particular case of corporate restructuring involving ‘cash flow’ optimisation practices. As a retail company, Electronica’s profitability is low (‘4% of sales’). This situation results

from the fact that, on each of Electronica's sales of a product, the margin between Electronica's costs (buying the product from suppliers, paying wages to employees) and income (the price paid by customers) is very low. Relative to this low profitability, the amount of working capital immobilised by each of these transactions is high. As Electronica pays its own suppliers before receiving the 'cash flows' of sales to customers (i.e. as Electronica gives its suppliers credit on their production, accumulates stocks, and gives its clients credit on their purchase), Electronica owns a stock of potential 'cash flows' immobilised in 'trade credit', representing 20–25% of its sales.

As a consequence, when the interviewee manages to reduce the stock of credit to suppliers or clients (working capital) by two points, he reduces Electronica's stock of 'soft currency' and generates a one-off flow of 'cash' representing 2% of annual sales, half of Electronica's annual profit. Therefore, the restructuring of Electronica is representative of 'cash' optimisation practices as it consists above all of extracting 'cash' from Electronica's business environment by reducing its credit to its partners (here, industrial suppliers and customers) in order to generate 'cash flows'. In the two following sections, I will highlight how such practices require the social construction of new circuits of money.

Section 2: Converting soft currencies to 'cash'

This section focuses on how the conversion of 'soft currencies' into 'cash' relies on metrological, management, organisational, and legal norms supporting it.

Measuring the potential for 'cash disgorgement'

The metrological dimension of this conversion process is illustrated succinctly by an interviewee (a consultant specialising in 'cash and treasury management'):

Consultant: We often sell scoreboards based on operational management indicators, that is to say indicators that enable [corporate actors] to act at an operational level, that help to support the 'cash' strategy we elaborate.

As this fragment shows, 'cash' management practices require the measurement of 'cash flows' and defining them as the new value standard in order to spot and monitor potential untapped stocks of value (e.g. the cash retained in stocks of 'soft currency'), which are often hidden from managers by the accounting categories they are used to.¹

In particular, the conversion of 'soft currencies' into 'cash' necessitates the replacement of the standard corporate finance valuation framework with a new one based on cash generation. Indeed, until the late 1970s, Western corporate finance was dominated by a particular vision of firm value, which was entangled in standard accounting categories ('generally accepted accounting practices') and mostly based on the 'earnings-per-share' indicator (EPS, the ratio of the amount of earnings to the number of the company's shares, referred to by some authors as the 'EPS system' (Stewart 1994)). However, this metrological apparatus and its main EPS indicator did not take into account the form of money held by a firm in the calculation of its value; focused on the accounting notion of 'profit', they did not draw a distinction between holding value in the form of 'cash' or corporate finance 'soft currencies' such as 'trade credit'. For instance, in the case of Electronica, a decrease in the level of working capital would have had no effect on the earnings-per-share of the firm, but it would have 'generate[d] a lot of free cash flow'. The use of a new metrology based on 'cash flows' enabled 'cash culture' advocates to measure what really mattered to them: the conversion of 'soft currencies' into 'cash flows'.

The evolution towards a cash-focused vision of corporate value and the replacement of the earnings-per-share indicator with the 'free cash flow' one is explicitly described in the preface of the famous *Revolution in Corporate Finance* (Stern and Chew 1992, p. xii–xiii), a book gathering the most popular articles advocating new and 'modern' practices in corporate finance, in particular 'cash flow' optimisation practices (italics as in the original text):

The rise of modern finance has brought about a confrontation, in short, between two very different views of [...] the value of corporate securities. The traditional view holds that stock prices are determined primarily by reported earnings. [...] The rival view, the ‘economic model’ [that Stern and Chew defend], holds that the market value of corporate stock [...] is the present value of a company’s future expected after-tax *cash flows* [...] Those who subscribe to the ‘economic model’ argue that [...] the corporation best serves its stockholders by maximizing neither reported earnings nor earnings growth, but after-tax ‘free cash flow’.

Alternative indicators of ‘cash’ generation were created and popularised. For instance, Michael Jensen, a famous ‘shareholder value’ advocate, described the main issue of corporate finance as the resolution of the ‘free cash flow problem’, situating the ‘free cash flow’ (FCF) indicator at the centre of corporate finance analysis (Jensen 1986). New valuation methods also emerged in corporate finance at that time, the most famous of which was Discounted Cash Flows (DCF). In existence since the nineteenth century (Doganova 2014), this method was adapted in the 1970s for the valuation of companies in corporate finance. In the late 1970s, Rappaport (1986) strongly advocated the use of ‘cash’ approaches instead of traditional ‘accounting’ ones: in order to do so, he explained, DCF seemed the most accurate and relevant method available to the corporate evaluator. Similarly, McKinsey consultants (Copeland *et al.* 1990) described the task of ‘understanding cash flows in and out of the company’ as central for modern managers and better achieved through the use of DCF (they titled their fourth chapter, ‘DCF Captures All Elements of Value’). Thus, the conversion of ‘soft currencies’ into ‘hard’ ones in corporate finance has relied on the elaboration of new criteria of corporate evaluation, taking into account the nature of the forms of money generated by company activity and exclusively valuing the generation of the most liquid forms of money, that is, ‘cash flows’.

Disseminating ‘cash’ optimisation practices at all company levels

The conversion of ‘soft currencies’ into ‘cash’ has required the involvement of firms’ employees in the maximisation of new value indicators at various levels of the chain of command. For instance, in the Electronica case, the decision to maximise ‘cash flows’ by decreasing the amount of credit lent to clients and suppliers could not be implemented unilaterally by Electronica’s CFO or shareholders. As the interviewee explained later in the interview, the achievement of ‘cash’ targets required a shift in the negotiation of all sales contracts with customers and suppliers. Such a change involved changes in the commercial practices of many Electronica employees, such as middle-level managers in the finance department, and also employees working as salespeople at local Electronica shops. Consequently, management devices were required to incentivise these employees to focus more on ‘cash’.

‘Cash culture’ advocates have emphasised the role of management devices in disseminating ‘cash’ optimisation practices. In his seminal article on the ‘free cash flow problem’, Jensen (1986) described company managers and employees as preferring to keep the value of their company in non-liquid forms (for instance, in the form of ‘trade credit’) or even to ‘waste’ it, rather than turning it into ‘free cash flows’. While employees are forced to distribute their useless ‘cash flows’ to their bosses and the firms’ managers are forced to distribute their free ‘cash flows’ to shareholders, ‘soft currencies’ (such as ‘trade credit’) are usually allowed to remain under their supervision. Jensen therefore advocated the use of management devices that provide managers and workers with a financial incentive to maximise the ‘free cash flows’ of their company.

Consequently, such management devices were promoted by consultancy firms involved in the shareholder value movement. The most famous of these management devices² is known as Economic Value Added (EVA), from the Stern, Stewart & Co consultancy firm (for a sociological study of this device, see Lordon 2000). EVA is a synthetic indicator measuring a firm’s ‘cash flow’ generation; its authors have asserted that ‘the emphasis [of EVA] was always on cash flows, specifically the net present value of future free cash flows’ (Stern and Shiely 2003).³ However, EVA is more than an indicator; as Stern and Stewart note, EVA is ‘an integrated framework for financial management and incentive compensation’ (Stern *et al.* 1996). Therefore, the metrological dimension of the EVA indicator is inseparable from the implementation of devices incentivising firms’ employees

(through financial bonuses) to maximise the indicator. EVA is elaborated in such a way that it can be calculated at each level of the production line and the remuneration of each employee (from the CEO to the local shop cashier) can be index-linked to their estimated contribution to the firm's 'cash flow' generation.

In an interview, a consultant (specialising in 'cash and treasury management') working at the European branch of a large audit firm confirms that he uses such management devices to incentivise employees. Talking about a particular case he worked on recently, he explains:

- Question: Does it [the implementation of 'cash' optimisation practices] also involve some changes in compensation, in employment contracts?
- Consultant: Of course it does. [...] We use two parameters, a general incentive, that is to say that in employees' general incentive compensation there is a 10, 20, 30% share that is index-linked to 'cash' [i.e. to the generation of 'cash' by the company as a whole], and then we try to elaborate a more specific incentive scheme for those who are involved in 'cash' optimisation at an individual level.

Therefore, these management devices are used to disseminate the focus on 'cash' to all employees, from the CFO of the firm who manages abstract 'cash flows', to salespeople who are incentivised by the collective bonus to apply 'cash' optimisation practices to concrete flows of banknotes, cheques, and bank transfers.

Embedding 'cash flow' optimisation in organisations and legislation

At the macrosocial level, the conversion of 'soft currencies' into 'cash' has also been aided by the emergence of new organisational devices and legislative norms. 'Cash' optimisation practices have been promoted and disseminated through the implementation of new organisational devices with the practice of the LBO mechanism. The role of LBOs in disseminating these conversion practices in corporate finance is acknowledged by interviewees, as shown in this interview fragment with a consultant in 'cash management' working at a large audit firm:

- Consultant: Well, the LBO [mechanism] helped us, one cannot ignore the positive impact of LBOs on [the issue of] 'cash' management and 'cash' monitoring [...] Because companies under LBO, if you except very small cap LBO funds that don't care about the companies they hold, but generally they work a lot on this issue, they work actively on 'cash'.

The LBO organisational device, which was developed in the US in the late 1970s and later exported to most other industrial countries, consists of buying out (generally from an investment fund) a company using banking debt, with this debt being paid back later by the firm that was bought out. In this way, a small investment fund can buy a large industrial firm by using the leverage effect provided by debt. In order to pay back its financial debt, the company under LBO has to generate abundant 'cash flows'; as a consequence, it is tempted to liquidate all its holdings and in particular its 'soft currencies'. The influence of the LBO mechanism in 'cash flow' optimisation practices was explained by Jensen (1989, p. 65–67) in one of his most famous articles on corporate finance:

- Active investors are creating a new model of general management. These investors include LBO partnerships [...] Debt creation helps limit the waste of free cash flow by compelling managers to pay out funds they would otherwise retain.

Therefore, as explained by Jensen, the increase in the financial debt of companies held by LBO funds forces them to implement the principles of 'cash culture' in order to avoid bankruptcy.

The process of converting 'soft currencies' into 'hard' is also embedded in state legislation and regional policymaking. The role of the state in the process of conversion, through the elaboration of a common 'money of account' (Keynes 1971) used at all levels of the monetary hierarchy, has been evidenced by the literature (Desan 2014). However, in Europe, the conversion process has also been fostered by more specific recent legislation. Regarding 'trade credit' in particular, successive European Union (EU) and national policies have contributed to reducing its volume and making

‘cash flow’ optimisation easier for companies willing to stop lending money to their business partners. Indeed, interviewees often evoke the ‘late payment’ regulations (adopted by the EU with the ‘late payment’ directives of 2000 and 2011, later implemented by national parliaments). These regulations aim to provoke a ‘decisive shift to a culture of prompt payment’ (as it is put in the EU 2011 ‘late payment’ directive), giving creditors the right to claim interest for late payment on trade debt and compensation for recovery costs after a delay, even in the absence of a contractual agreement about such an interest.

These rules might be considered opposed to ‘cash’ optimisation practices as they prevent companies from generating ‘cash’ by paying their bills late and getting forced ‘trade credit’. However, even if such policies incidentally constrain aggressive ‘cash flow’ maximisation practices, they set ‘trade credit’ standards at a low level (30 days between a transaction and its settlement with ‘cash’); at an aggregate scale, this implies a decrease in the overall amount of ‘trade credit’. Therefore, this legislation contributes to framing, on a legal basis, the practice of ‘cash’ monetary conversion in corporate finance.

Section 3: Converting corporate managers to ‘cash’

Despite their widespread adoption, the use of ‘cash’ metrological norms and the decisions that result from these norms have been highly criticised and still are considered by many corporate finance actors to be contrary to good business morals. This section investigates the moral motivations of corporate actors involved in this conversion process.

‘Cash’ optimisation practices and moral condemnation

The generation and circulation of corporate finance’s ‘soft currencies’, in particular corporate credit, is ruled by strong moral norms. These norms are apparent in historical research on ‘trade credit’. In his study of credit relationships between commercial companies in the eighteenth century, for example, Gervais (2012, p. 1011) highlights the way such relationships ‘integrate moral and social constraints’ through reputation. Discussing the twentieth century in a Maussian framework, Mastin (2014) and Lescure (2014) show that the insertion of a firm into debit and credit inter-company relationships ‘is not perceived as the result of a financial constraint but as a sign of social recognition’ (Lescure 2014, p. 13). As they are able to fuel ‘trade credit’ in a sector or territory, lenders benefit from a dominant position and respectable reputation. Having been selected by a particular lender, debtors get a reputation as reliable and creditworthy. The need to earn and maintain a positive reputation within a territory or sector has pushed companies to follow the moral norms ruling inter-company monetary relationships.

Monetary practices are framed by similar moral norms throughout the period considered in this article. For instance, in the management of corporate credit and cash, corporate finance handbooks used to emphasise the importance of abiding by the traditions of the particular sector to which the company belonged, in order to maintain a good reputation. In the main corporate finance handbook of the time, discussing working capital (i.e. short-term credit to/from suppliers and clients), Weston and Brigham (1969, p. 515) emphasised the reputational dimension of the relationship between a firm and the companies it does business with:

Since the working-capital ratio is a key item in credit analysis, it is essential that the firm [...] meets the standards of the line of business in which it is engaged. A strong credit standing enables the firm to purchase goods from trade suppliers on favourable terms and to maintain its line of credit with banks and other sources of credit.

In this fragment, Weston and Brigham underline the importance of ‘the standards of the line of business’ to which each company belongs, be they sectorial or territorial, as a major driver in the determination of ‘trade credit’ practices. These ‘standards’ prevented Weston and Brigham from limiting their recommendations related to corporate ‘soft currencies’ exclusively to the issue of ‘cash flow’ optimisation, as actors involved in ‘cash flow’ optimisation practices did later.

As a result, ‘cash’ optimisation practices have been subjected to strong moral condemnation. Corporate finance actors implementing such practices have been accused of trying to extract cash at the expense the local environment of the firm (suppliers, local community, liquidated branches), compromising the local norms of corporate behaviour and good reputation in order to please their shareholders. For instance, discussing the practices that followed the LBO of an industrial company, a 1989 article in the *Washington Monthly* (subtitled ‘How One American Company was Killed by Greed, Incompetence, and Henry Kravis’ (Reutter 1989, p. 53–54)) reveals the negative way popular culture considers ‘cash’ optimising practices:

The new philosophy was to generate enough cash flows to make maximum advantage of tax depreciation allowances. [...] The division stopped paying its bills on time, often delaying payment for months. [...] Burg’s [the company under leveraged buyout] reputation was destroyed under cash-hoarding policies of the KKR [the new owner of the firm] regime.

Similarly, Fligstein (2001) underlines the bad reputation of financial actors implementing ‘cash’ optimisation policies through buyout operations (frequently LBOs) aiming to buy a company in order to liquidate their monetary holdings and extract as much ‘cash’ as possible. By labelling these actors ‘corporate raiders’ and ‘barbarians’ (thereby comparing their practices to looting), contemporary actors in the business world level moral blame at the supposedly destructive dimension of the monetary extraction that results from these operations.

This negative moral view of ‘cash flow’ optimisation practices also emerges in my interviews. For instance, one of the interviewees told me that the corporate finance people he has to deal with consider his job ‘dirty’. The interviewee was the managing partner of a consultancy firm specialising in ‘cash and treasury management’. One of the services provided by his company consisted of replacing the CFO of the client for a short period, during which time the company would maximise the client’s generation of ‘cash flows’. In the interview, the interviewee reveals that he was even called a ‘thug’ by a corporate customer of a firm he was managing as a temporary CFO:

Question: And why do they find [‘cash’ optimisation practices] dirty?
 Consultant: Well, they say that because [they consider] it’s dirty to go to see a client and say: ‘Sir, pay me now’. There is a client [of a company I advised] who told me once: ‘You, with your methods of thug, etc.’ [...] What does it mean, ‘methods of thugs’? It means that I went to see him [the client] and I said: ‘Sir, we agreed on the terms of payment, you received the invoice on the 25th, today is the 5th of the following month, we’d like to be paid’ [...] For some people, insisting on getting paid, insisting on a matter of money, they find it dirty.

In this extract, the interviewee highlights how the focus on ‘cash’ is perceived by business partners as a breach of trust, opposed to good business morals and to the usual ‘methods’ in the sector. In the same way, the Flow Consulting panelist’s question related in the introduction to this article uses a moral lexicon to disparage excessive ‘cash flow’ optimisation practices, describing these practices as ‘disgusting’ and revealing an ‘absolute contempt’ for other actors in the corporate world.

The rhetoric of ‘cash’ optimisation

The practices of conversion to liquidity are not natural for corporate actors, and so they have to be morally promoted to those involved in this conversion process. This promotion is particularly visible in the ‘training’ sessions provided to employees by ‘cash management’ consultants. Most of my interviewees described such training sessions: beyond their technical aspect, such sessions aim to give employees the will to engage in active ‘cash’ optimisation practices. They aim to make employees perceive ‘cash flows’ as a personal issue and to identify with the ‘cash’ generation of their company. This goal is particularly emphasised in the following interview extract, where the interviewee (working in the ‘cash and working capital advisory’ department of a large merger and acquisition bank) describes a training session with employees in charge of the collection of unpaid invoices in a large European energy company (Energia):

Advisor: When you do training, you have to make yourself understood by people. [...] At Energia, people had the feeling that Energia was wealthy and that ‘cash’ was not an important thing. So I put them onto another perspective, I told them: imagine that instead of paying you on the 30th of this month, Energia pay you on the 10th of next month. You’ll ask me: ‘how will I manage to survive?’ because you have to pay your debt obligations for the house, the car ... [...] For Energia, it’s the same thing: at the moment, clients pay us with a 10-day delay. You think you aren’t affected by that? But then, [as it receives its payments late] Energia is forced to borrow money in order to pay *your* wages. That’s exactly the same thing.

Here, the advisor tries to involve Energia’s employees in ‘cash’ optimisation practices by drawing a comparison between a delay in the payment of their personal wages from Energia and the delayed payment from Energia’s clients.

This identification process also relies on other strategies, such as involving employees in games or internal competitions related to ‘cash’. In an interview with the French *Option Finance* magazine entitled ‘How to Spread Cash Culture’ (Clément 2016, p. 57), a senior manager at the audit firm Mazars underlined the ‘recreational’ dimension of cash culture. ‘For instance’, he explained, ‘some of our clients have casted movies telling “the life of receivables” within the company, and broadcasted them to their employees’. Similarly, consultants at PwC (2013) advise companies interested in optimising their ‘cash’ to implement a ‘Cash Academy’ (an implicit reference to the ‘Star Academy’ singing competition TV show) for their employees, turning monetary conversion into a game.

The promotion of ‘cash’ optimisation practices relies on the use of a moral rhetoric, based on the concept of ‘value creation’. Indeed, in the wake of the shareholder value movement, many authors associated the concept of ‘value creation’ with companies’ ability to extract ‘cash flows’ from their operations and their partners. For instance, although the ‘cash flow’ generation it measures may only be the result of a monetary conversion, when Rappaport (1986) promoted the use of the DCF method, he did so in the name of ‘shareholder value’, as underlined by the title of his book: *Creating Shareholder Value*. Similarly, one of my interviewees mixes up the concepts of ‘cash’ and ‘value creation’ in his answers. I asked him to clarify the difference between the two concepts, and he answered that ‘for [him], that’s the same thing ... [...] Free cash flow equals value creation, equals cash flow culture, equals [an increase in the company’s] valuation’. Thus, the moral discourses related to ‘value creation’ (described by Lordon 2000 and Boussard 2013) have enabled cash culture’s advocates to justify their new monetary practices by relating them to an overarching good for society as a whole – an increased ‘value’ production.

‘Shareholder value’ as a source of moral legitimization

The moral shift in favour of ‘cash flow’ optimisation practices goes beyond rhetoric; it is grounded in a new understanding of corporate policies that relates closely to the shareholder value paradigm (Fligstein 2001). This paradigm aims to reassert the figure of the shareholder as central in the allocation of capital in economic life. Money held in the form of ‘soft currencies’ is beyond shareholders’ direct control; immobilised in credit relationships, this money cannot be distributed to shareholders or allocated by them. As ‘soft currencies’ escape this control, they are considered a form of inefficient capital allocation for society as a whole, and therefore this suboptimal allocation is morally criticised. This is why such ‘soft’ monies are described as ‘trapped’ (PwC 2014) or even ‘wasted’ (Jensen 1989) ‘cash flows’. In this approach, ‘soft currencies’ should be converted to ‘cash flow’, because ‘cash flow’ can be distributed to shareholders and reinvested in ‘more productive’ activities. Shareholders, according to this view, are the only actors able to efficiently allocate money for the good of society as a whole.

The link between ‘cash’ optimisation practices and shareholders’ particular position in the shareholder value paradigm appears explicitly in the following extract from *The Revolution in Corporate Finance*’s preface (Stern and Chew 1992, p. xii–xiii):

Those who subscribe to the ‘economic model’ argue that [...] the public corporate best serves its stockholders by maximizing [...] ‘free cash flow’. [...] The crucial assumption underlying the ‘economic model’ is, of course, the sophistication of market investors [i.e. shareholders].

The authors underline that the morally positive dimension of the ‘economic model’ (the model in which a company seeks to maximise its ‘cash flows’) relies on the sophistication of investors/shareholders, that is, on the fact that they allocate money in an optimal way for society. The maximisation of a company’s ‘cash flows’ is justified by the fact that, contrary to other monetary forms, ‘free cash flows’ can be distributed to shareholders, who will then invest this money in a ‘sophisticated’ way. As such, the positive moral dimension of these conversion practices is closely related to the ultimate destination of ‘cash flows’; to be legitimate, ‘cash flow’ optimisation practices have to be undertaken in the interest of shareholders in order to redistribute extracted ‘cash flows’ to them.

Discussion and conclusion

In *Marginal Gains* (2004, p. 30), Jane Guyer calls on social scientists to study ‘the historical constitution of conversions and wealth creation, under turbulent conditions’. This article applies Guyer’s project to corporate finance by focusing on the historical constitution of a specific monetary conversion interface, one which, in the wake of the shareholder value movement, has enabled corporate finance actors to transform the value generated by companies in the form of ‘soft currencies’ into more liquid wealth distributable to shareholders. In particular, this article has aimed to build a genealogy of the mechanisms on which this conversion interface relies, evidencing the diversity of the norms (metrological, technical, legal, and moral) involved in such a conversion and their links with the monetary practices promoted by the shareholder value movement.

However, this historical study is necessarily partial and intended to serve as a foundation for further research. Indeed, while this article highlights a part of the phenomena (excluding, for instance, some of the technical phenomena described in greater depth by MacKenzie *et al.* (2012)) involved in the conversion of ‘soft’ into ‘hard currency’, it leaves many of the monetary conversion processes related to shareholder wealth unexplored. Regarding ‘soft currencies’, for instance, this article ignores the case of companies’ shares and contracts and the way these shares and contracts can be transformed into liquid forms of money (the article by Carruthers and Stinchcombe (1999) provides some insights to understand this conversion process).

Regarding ‘hard currencies’, this article also leaves aside the remainder of cash flows’ journey until their transformation into individual, personal wealth. Indeed, corporate ‘cash flows’ have to go through several additional conversion steps before being distributed to individuals. In the Electronica case (see Sections 1 and 2), the ‘hard currency’ generated by ‘cash’ optimisation practices could be distributed to Electronica’s owner (an investment fund) in the form of dividends (first conversion), then distributed to the managers of the fund in the form of bonuses (second conversion) and to institutional investors in the fund in the form of banking transfers after the expiration of the asset management contract binding them to the investment fund (third conversion). However, it could also follow diverted paths; for instance, these ‘cash flows’ could be used to pay back the financial debt of Electronica. In this case, the flow of money would have to pass through additional indirect processes (the decrease in Electronica’s debt resulting in an increased corporate valuation at the time of its sale by the investment fund) before it could be turned into individual wealth for Electronica’s shareholders.

The exhaustive description of all these conversion paths is crucial to understand the way the extension of liquid, ‘hard’ money operates in the contemporary financial world. Indeed, at each stage, phenomena of monetary conversion are ‘adding, subtracting, or otherwise transforming the attributes of exchange goods [here: monies] in ways that define the social direction of future transactional possibilities’, as Guyer (2004, p. 30) notes. Far from being the product of an abstract movement, the transformation of the ‘soft currencies’ generated by companies’ economic activity into shareholder wealth requires money to go through successive, meaningful conversion steps, each of these steps underlain with a specific assemblage of social factors.

By studying the elaboration of conversion interfaces in the contemporary financial world, this article has attempted to provide monetary, microsocial explanations for a broader macrosocial phenomenon. Indeed, as a monetary phenomenon, the increase in the share of the economic output distributed to shareholders in Western countries since the 1980s (Fligstein 2001) has relied on monetary conversion factors. The microsocial description of the successive steps through which ‘soft currencies’ have to pass in order to be turned into ‘cash flows’, and then into individual shareholder wealth, is particularly useful to understand the processes that enabled the shareholder value movement to take place. These successive steps define the implicit exchange rate between ‘soft’ and ‘hard currencies’. The cultural, moral and institutional factors at work in the monetary conversion process affect this implicit exchange rate, making it easier or harder to turn ‘soft currencies’ into ‘cash’ distributable to shareholders. This article thus sheds some light on the monetary implications of the shareholder value movement. If ‘the uniqueness of the capitalist era lies in the successful hybridisation of chronically fragile and unstable private mercantile credit networks with public currency based on the increasing security of stable states [...] standards’, as Ingham (2004, p. 139–140) asserts, then the shareholder value movement appears as an additional step in this hybridisation process. By creating new conversion paths between private mercantile credit networks (resulting from companies’ daily activity) and bank or state monies supported by institutions (enabling shareholders to store wealth), this movement participates in reshaping the ‘hierarchy of monies’ (Bell 2001) and reducing the distance between the top and some parts of the bottom of that pyramid. The elaboration of such stable conversion paths between ‘soft’ and ‘hard monies’ appears to be a crucial mechanism in the extraction of shareholder wealth. In sum, therefore, this article has attempted to illustrate the way in which the study of such microsocial monetary conversion processes can help with understanding new aspects of the shareholder value phenomenon and evidenced the norms on which it was historically built.

Notes

1. Beyond the metrological devices described in this section, the convertibility of companies’ ‘soft monies’ into ‘cash’ also relies on the commensurability of these forms of money: the expression of these monetary forms in the same unit of account, that is, national or regional currencies (euro, dollar, pound). However, the construction of such ‘monies of account’ results from broad institutional mechanisms that are anterior to the historical period studied in this article (see Desan 2014).
2. Other similar devices exist, such as the Cash Value Added method and the Cash Flow Return On Investment method of the BCG and Holt consultancy firms.
3. Contrary to the EPS indicator, based on accounting earnings, the EVA indicator is based on the discounting of a firm’s future cash flows, along with numerous accounting adjustments. A prominent indicator of the ‘cash culture’ in the 1990s, it mixes the metrological shift towards ‘cash’ with a positive rhetoric of ‘value creation’.

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